Church Finances for Uncertain Times

March-April 2018

Four Lessons in Speaking About Money

Brendan O'Sullivan-Hale

I clearly remember two abrupt religious conversions in my life. The first, when I was 20 years old, was a profound and barely explainable encounter with the love of Christ that put me on a course to be baptized in the Episcopal Church. The second, fifteen years later, was in a ballroom in a hotel basement in Indianapolis. Walter Brueggemann, the prolific Old Testament scholar, was speaking to a conference of the Episcopal Network for Stewardship on the third chapter of Malachi and the importance of the tithe.

Never before — and possibly never since — had I heard anyone speak so directly about tithing as a core responsibility of the Christian life. I was accustomed to pledge campaigns where somewhere along the line someone would say, "ten percent," follow it with an embarrassed cough, and never speak of it again. What I heard that day, though, convinced me that the faith I said I had and the faith testified to by my bank statement had little in common. The Gospel According to My Finances proclaimed hundreds of cable channels and more car than I needed, but all too little of Christ to whom I owe my allegiance. I determined then to start working toward the tithe.

It took seven slow years of big and small adjustments to get there. In the intervening years, I chaired or co-chaired a few pledge campaigns and delivered my share of campaign kickoff sermons. More recently I had the opportunity to join with a few of my colleagues around the church — Ron Byrd, Scott Gunn and Brenda Husson — on an ECF panel convened to discuss the challenges of preaching about faithful financial discipleship.

As I've changed my attitude, told my story, collaborated with others and invited members of my congregation to join me, I've learned a few important lessons about how we should talk about money in the church.

Lesson 1: Say what you mean

When you're talking about money, talk about money. Jesus didn't shy away from it in his ministry, and neither should we. One of the callings of the church is to help its members transform their lives through following Jesus Christ. That transformation touches every aspect of our lives, from how we pray to how we spend our money. In helping to shape our congregations' prayer lives, we offer practical guidance in the form of the wisdom of the mystics or the rhythm of the Daily Office. But too often, when trying to present a vision for a faithful financial life, we use "stewardship" as an obfuscatory euphemism and leave it to individuals to figure out this aspect of discipleship on their own.

Lesson 2: Focus

It is true that Christian stewardship encompasses the whole of the gifts God has given us — and how we use the various parts of that whole merits instruction from the pulpit. In my experience, the threefold formula of "time, talent, and treasure" usually fails in this task, because it is deployed as a way to avoid talking about money. Imagine instead, a clear, stirring teaching on how we spend our days and hours in the service of God, one that touches both a young person with decades ahead and a terminally ill person measuring her lifespan in days. Ask yourself whether that teaching is coming in a “time, talent, treasure” talk, or something more focused. Our conversations about money deserve the same care and attention.

Lesson 3: Acknowledge the hard stuff

Money touches us in the deepest places of our lives. Beyond paying for the necessities, it can enable many of our joys, change the opportunities available to us and to our children, and affect when and if we will be able to retire. The debt we accumulate reflects our past financial decisions, good and bad — whether acquired to advance our education, respond to emergencies, or pay for consumer purchases that we now regret. Money can be a source of anxiety and shame. Recent research produced by the Lilly Endowment’s Initiative to Address the Economic Challenges Facing Pastoral Leaders[1]demonstrates that the complications of our financial lives are shared by laypeople and clergy alike. Effective communication about the spirituality of financial giving must speak in some way to the circumstances in which people find themselves.

While preachers have to be careful to avoid working out their own issues from the pulpit, some vulnerability can be helpful. For instance, I sometimes share the story of the first year I made a pledge to my parish. One Sunday after church, the treasurer gently approached me to tell me one of my checks had bounced. In the moment I was mortified, but with some distance it’s a reminder to me that making a financial commitment can be risky and failure is part of spiritual growth.

Lesson 4: Trust God’s Promise

While our relationship with God is not transactional, God does reward our faithfulness. God rewards the waiting of Simeon and Anna with the briefest glimpse of the Christ child in the temple (Luke 2:25-38). In Malachi, God promises to "pour down…an overflowing blessing" on those who fulfill the tithe (Mal. 3:10). But notice how God describes that overflowing blessing: "I will rebuke the locust…and your vine in the field shall not be barren…Then all nations shall count you happy." (Mal. 3:11-12)

The blessing God promises us is sufficiency — the joy of enough. Learning to give God's gifts away trains our hearts to understand the richness of God's generosity toward us. It further advances each disciple's aspiration to imitate Jesus, who gave his whole self away for us, by giving a piece of our selves away for Christ's church.

[1] Hadaway, C. Kirk and Penny Long Marler, "Economic Challenges Facing Pastoral Leaders: Report on NEI Planning Grant Research 2015-16" June 30, 2017

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Brendan is a member of the leadership team of the Acts 8 Movement, a lay and clergy network dedicated to "proclaiming resurrection in the Episcopal Church," and is co-host of The Collect Call, a podcast about the Book of Common Prayer. Before joining the Diocese of Indianapolis, Brendan was a partner at Oxford Financial Group, an Indianapolis investment consulting firm. Brendan received his BA in Linguistics and East Asian Languages and MBA in Finance from Indiana University and holds the Chartered Financial Analyst designation.

Resources

- Preaching About Money, an ECF webinar led by Scott Gunn, September 26, 2017
- Economic Challenges Facing Pastoral Leaders: Report on NEI Planning Grant Research 2015-16 by Kirk C. Hadaway and Penny Long Marler, June 30, 2017
- Creating a Culture of Giving by Angela Emerson, ECF Vital Practices Blog, January 27, 2012
- Year Round Stewardship: Talking About Money an ECF webinar led by Chris Harris, February 11, 2014

Money — What's It To You?

Demi Prentiss

Are you emotional about your money? A lot of people are. Think of what happens to your body when that unexpected large bill — or an unexpected windfall — comes your way. Think of how you feel when that thing you ordered on the Internet turns out to be a piece of junk, even though it looked great in the picture! Or when you discover you make way less than — or way more than — a colleague doing the same work.

Our self-worth and our self-image are all tied up with our money in ways that can be hard to untangle. An important aspect of taking charge of money in our lives is understanding how we feel about it. Exploring where those feelings come from can lead us to a more grounded, intentional relationship with the money that flows through our lives. And as a church leader, how you relate to your money has a lot to do with how your congregation thinks about and manages money, as well.

Notions about money begin in our families, our culture and even our churches

Where did you learn about money? As you were growing up, your ideas about money were most likely shaped by your experiences and conversations in your family of origin — not only first-hand, but what you observed and overheard. What did you learn in that first "money school"? Some of the most common phrases children hear are:

- "Money doesn't grow on trees."
- "Money is the root of all evil." (A misquote of 1 Timothy 6:10)
- "None of your business" or "We don't talk about things like that."
- "Gotta save all we can."
- "Never enough."

As much as our families, the culture we live in shapes our thinking about money. Gordon Gekko and Occupy Wall Street, Broadway musicals and pop tunes, news outlets and prosperity Gospel preachers all have a voice in the stream of information that swirls around us. And while we don't absorb it all, many of their messages become embedded in our brains:

- "Greed is good."
- "Money can't buy me love."
- "Money makes the world go around."
- "Wealth is a sign of God's favor."
- "I got plenty of nuthin', and nuthin's plenty for me…."
- "There are things money can't buy."
- "He who has the gold makes the rules."
- "Of all wealth created in 2017, 82% went to the world's richest 1%."
- "Starbucks will spend $250 million of its corporate tax cut to boost the pay and expand the benefits of its American workers."

As people of faith, many of us hear the voice of scripture and tradition when we think about money.

- "It's easier for a camel to go through the eye of a needle, than for a rich man to enter heaven."
- "Blessed are the poor."
- "The love of money is the root of all evil."
- "The widow's mite"
- "God needs our money to do God's work."
- "Stewardship is everything we do after we say, 'I believe.'"
- "St. Swithin's will have to close if you don't help support the budget."
- "Our God is a god of abundance."
- "It is better to give than to receive."

With all these competing messages, it's no wonder that so many people consider money mysterious or fearsome or simply baffling. Understanding the basics of money management in our own lives is an important step to de-mystifying a subject many don't even like to think about. Challenging ourselves to learn the basics of budgeting, balancing a checkbook, saving, managing credit and protecting our assets can bring freedom and a sense of being agents in our own lives.

Toward a faith-based understanding of money

That process of taking agency — especially in regard to finances — equips leaders to be more effective in their congregations, as well. It's important for churches to offer a message about money and its role in our lives that equips us to live more faithfully. An understanding of money grounded in Christian faith reminds us that God challenges us to have a right relationship with money, just as with power, freedom, authority and all God's gifts. It's up to church leaders to do the hard work of exploring among themselves — as well as forming in the congregation — a faith-based understanding of the right use of money.

Some key concepts in a faith-based understanding of money:

- Money, in many ways, is congealed energy, and is meant to do work.
- Money — however much or little we have — is a gift from God and calls for good stewardship.
- Money is a tool to accomplish some aspects of God's work in the world.
- Money that is given to us is given in trust, to be used in ways that will honor the givers — both human beings and God.

Forming leaders and congregations who understand and use money well is a challenge. As our culture increasingly equates success with accumulation of wealth, the responsibility of shaping people who are faithful and effective in managing money is falling more and more on faith communities. Outside of churches and some non-profits, few organizations are teaching that life is better — more rewarding, more satisfying, and measurably healthier — for those who are givers rather than takers. It actually is better, in all kinds of ways, to give than to receive.

Taking steps to engage money conversations is one of the greatest gifts leaders can offer their congregations. Learning to have a right relationship with God's gifts can be a life-long process. It is helped by having companions on the journey — and today would be a great day to start.

Here are some ways to engage your congregation in developing a right relationship with money:

- Offer opportunities for people to share money stories — about how they learned about money, what it means to them and about your congregation's money history.

- Commission your vestry or leadership board to write a stewardship statement that touches on right relationship with money, the environment, time, talent and more. Present it to the congregation and have a discussion in an adult class or forum about why it was written and why it's important.
- Review the ways leadership shares money information with the congregation, and take steps to make the communications even more transparent and easy to understand.
- Take regular opportunities to teach and preach about money and being a steward, especially outside of the annual fall funding campaign.

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Resources

- Money – What's It to You? an ECF webinar led by Donald Romanik and Demi Prentiss, April 04, 2017

- Moneyharmony Quiz a quiz that will show you which of five major money personality types most closely matches your own tendencies

- Year Round Stewardship: Talking About Money an ECF webinar led by Chris Harris, February 11, 2014

Cultivating Emotional and Financial Resilience

J. William Harkins, Ph.D., LMFT

Recently in my clinical practice, I met with an Episcopal priest for an initial counseling session. With two children near college age, economic pressures at home and at church, and uncertainty regarding her preparation for retirement, the stress was becoming overwhelming. "I'm not sure how we will get by from month to month," she said. "My husband's business has never really recovered from the economic downturn, and everything feels uncertain. Some days I struggle to find hope. Things often feel beyond my control."

The stress she is experiencing is not unusual. The economic recession of 2008-2009 and concomitant demographic shifts in mainline Protestantism have indeed resulted in many sources of financial and personal stress for church leaders. Clergy and lay employees can be especially vulnerable.[1] "Let's talk about what we do have some control over," I said, "and for the time being, I'll do the hoping for us both."

In the midst of the stress that financial troubles can cause — stress that affects our health and wellbeing — we can cultivate both financial and emotional resilience. But how might we do this? What is resilience? How can we respond to the challenges of financial and emotional stress by strengthening our resilience?

Cultivating resilience

The American Psychological Association has defined resilience as "the process of adapting well in the face of adversity, trauma, tragedy, threats or significant sources of stress—such as family and relationship problems, serious health problems or workplace and financial stressors." It means "bouncing back" from difficult experiences, and flourishing in the new normal.

This capacity to adapt can be cultivated. The behaviors, thoughts and actions involved in resilience can be learned and strengthened in anyone. While a variety of factors contribute to its development, many studies show that caring and supportive relationships within and outside the family are a primary factor.[2] Relationships that create love and trust provide role models and offer encouragement and reassurance. Additional factors associated with resilience include:

- The capacity to make realistic plans and take steps to carry them out.
- A positive view of yourself and confidence in your strengths and abilities.
- Skills in communication and problem solving.
- The capacity to manage strong feelings and impulses.

All of these are abilities and attitudes that we can develop. Here are some ways you can nurture your ability to adapt well in stressful times:

Make connections. Good relationships with close family members, friends or others are important. Accepting help and support from those who care about you and will listen to you — including financial advisors, such as a trusted CPA or financial planner — strengthens resilience.

Avoid seeing crises as insurmountable problems. You can't change the fact that stressful life events and periods of financial difficulty do happen. But you can change the way you interpret and respond to these things. Try looking beyond the present to consider how your situation might improve in the future.

Accept that change is a part of living. Certain economic goals may no longer be attainable. Accepting circumstances that cannot be changed can help you focus on those where you can make a difference.

Move toward your goals. Develop realistic personal and economic goals. Do something regularly — even if it seems like a small accomplishment — that enables you to move toward your goals. Instead of focusing on tasks that seem unachievable, ask yourself, “What can I do today that helps me move ahead?”

Take decisive actions. Act on adverse situations in every way possible, rather than detaching from problems and stresses and wishing they would just go away.

Look for opportunities for self-discovery. People often learn something about themselves and find that they have grown in some respect as a result of their struggle with loss. Many who have experienced hardship have reported better relationships, greater strength, and increased sense of self-worth, a more developed spirituality and a heightened appreciation for life.

Nurture a positive view of yourself. Developing confidence in your ability to solve problems and trusting your instincts helps build resilience.

Keep things in perspective. Even when facing very painful events, try to consider the stressful situation in a broader context and keep a long-term perspective. Avoid blowing things out of proportion.

Maintain a hopeful outlook. An optimistic outlook enables you to expect that good things will happen in your life. Try visualizing what you want, rather than worrying about what you fear.

Take care of yourself. Pay attention to your own needs and feelings. Engage in activities that you enjoy and find relaxing. Exercise regularly. Caring for ourselves helps to keep mind and body primed to deal with situations that require resilience.

Consider additional ways of strengthening resilience, as well. For example, some people write about their thoughts and feelings related to trauma or other stressful events. Others find that meditation and spiritual practices help build connections and restore hope. The key is to identify ways that are likely to work well for you as part of your own personal strategy for fostering resilience.

Cultivate financial resilience as well

In similar fashion, cultivating financial resilience refers to an individual's ability to take advantage of opportunities as they appear, as well as to endure difficult times. It is enhanced with financial resources, like savings, health insurance and a good-paying job, and by putting your human capital — the knowledge, skills, experiences, contacts and other personal qualities you have to "sell" to potential employers — to use. Wise financial practices can increase financial resiliency and are especially important during a tough economy.

Every small positive step makes a difference. Below are five examples from Barbara O'Neill, Ph.D., CFP, writing for the Business School of Rutgers University:

1. Maintain a low debt-to-income ratio. Monthly consumer debt payments should be 15% or less of monthly take-home pay.
2. Maintain an emergency fund of at least three month's expenses. Keep this money liquid in cash equivalents such as a bank or credit union savings account, money market fund or short-term CD.
3. Never consider your education or job training finished. Continue to develop marketable skills and take care of your health (e.g., good nutrition, screening exams and exercise) to increase your human capital and remain employable.

4. Purchase adequate life insurance to protect dependents against the loss of a breadwinner's income and disability insurance to provide continued income following an accident or illness.
5. Educate! Increase your knowledge of financial topics so that you make smart financial decisions.

Both personal and financial resilience involve maintaining flexibility and balance in your life as you deal with stressful circumstances. In "How Resilience Works," published in the *Harvard Business Review*, Diane Coutu describes three common characteristics of resilient people:

- a staunch acceptance of reality
- a deep belief, often buttressed by strongly held values, that life is meaningful;
- an uncanny ability to improvise.

"You can bounce back from hardship with just one or two of these qualities," she writes, "but you will only be truly resilient with all three."

Sometimes simply making the decision to act can be the first step towards resilience. "I do feel better," my client said at the end of our initial session. "I am glad I reached out. I guess I had gotten isolated without even knowing it." Indeed, reaching out in relationship may be the most important first step!

[1] http://www.pewforum.org/2015/05/12/americas-changing-religious-landscape/
[2] https://www.ted.com/speakers/robert_waldinger

Resources

- How Resilience Works by Diane Coutu, Harvard Business Review, May 2012

- America's Changing Religious Landscape by Pew Research Center: Religion & Public Life, May 12, 2015
- Robert Waldinger TED speaker profile

Pledging: Why Clergy Must Know Who Pledges, and How Much

Susan Erdey

On Saturday night, the local choral society holds its winter concert in your church. The printed program thanks those who donated in support of the concert and lists their names under each level of contribution — Angels, Benefactors, Friends, etc. No one thinks anything of it. The next morning, however, the names of the members of your parish who've made pledges to the 2018 stewardship campaign — some of whom also contributed to the choral society — and the amounts they've pledged are shrouded in a thick veil of secrecy.

An earlier *Vestry Papers article* addressed the question of *whether* clergy should know who among their parishioners have made pledge commitments. That article acknowledged the challenges and nuances, but still encouraged clergy to understand this as a matter of pastoral duty and leadership and vestries to see their responsibility to foster a culture of trust and generosity. At the Episcopal Church Foundation (ECF), we believe that it's not only appropriate, it's vital for clergy to know the details of their congregation members' giving.

Erin Weber-Johnson, Senior Program Director of Strategic Resources and Client Services notes, "At ECF and at Project Resource we emphasize that fundraising is a ministry. It is not a means to an end, but a radical act of reconciliation, a process that can both draw the giver closer to God and repair an unjust world. Unlocking our hearts to God, begins with a direct invitation, reflection on our own relationship with money and the priorities in our lives that impact our giving. Clergy play a vital role in this work."

Why remove the veil of secrecy?

Changes in employment, illness, important life events — all are reflected in a person`s giving. To choose not to know what a parishioner gives, or if they give, is to choose not to have information that can inform and strengthen pastoral care.

“Pastors need to know about the giving behavior of the members of the congregation in order to be effective leaders,” says Melissa Spas, the Managing Director of Education and Engagement at the Lake Institute on Faith & Giving at IUPUI’s Lilly Family School of Philanthropy. “In any other nonprofit organization, we would not accept the refusal of a senior leader to take responsibility for the financial well-being of the organization they lead, and yet we willingly perpetuate the idea that clergy should not know. This does a disservice to both pastors and their congregations, because it reinforces a taboo that prevents leaders and organizations from thriving.”

“Pastors hold in confidence much more sensitive personal information about the lives of their parishioners, and yet when it comes to money-talk, we seem to have lost that perspective,” Spas observes. “When we have a new conversation about the place of money in our personal lives and in our faith communities, suddenly it no longer has power over us, but instead becomes another opportunity to align ourselves with a mission and purpose that is deeply meaningful. Fundraising becomes the occasion for faith formation, and stewardship is an activity of discipleship, rather than something separate from the ministry and vocation of the church.”

ECF Consultant and priest, Jerry Keucher suggests that there’s a false dichotomy created between confidentiality and secrecy. “No one can lead any organization effectively without knowing who supports the institution and at what level. I will grant that donor records are confidential information, but they are not, and cannot be, secret. Confidentiality is simply limiting sensitive information to those who need to know — and the rector is one of those people."

Sometimes, the dominant culture or context of your congregation affects members' comfort with clergy knowing pledges. Sandra Montes, Spanish language resource consultant at ECF, says, "I don't think money is such a taboo in Latino churches, especially since we so often don't have a lot of it, and must talk about it!" In her experience, "Latino churches usually only have one or two staff members, making it almost impossible for the clergy *not* to know how much people pledge."

Janet Lombardo, an ECF consultant and priest who has worked extensively with congregations, agrees that fear that the rector "might not be there for me pastorally" if they know what people pledge is a common response on this issue. But "the true reasons are likely much more complex," she says. "People might be embarrassed about their pledge, recognizing that it falls short of their ability. They might not be fully vested in the work of the congregation, or feel that pledging is unnecessary. When our pledge is secret, we might not have to think more deeply about who we are, and who God is calling us to be."

Lombardo suggests that transparency about pledge numbers can take the form of sharing ranges with the congregation: e.g., how many pledges are in the $1-500 range, $501-1000, $1001-5000, $5000 and over, etc. She also suggests publicizing the average pledge across the diocese and the average pledge across the Episcopal Church as a whole. [For detailed information on giving trends, see "Episcopal Church Domestic Fast Facts Trends 2016" report. And you can find average pledge by diocese and province for 2011-2016 here.] "The more you can demystify the pledge numbers, the better," she says.

Tackling the challenges around money and leadership

Aimee Laramore, a philanthropic strategist based at Christian Theological Seminary in Indianapolis, has "witnessed first-hand the lingering consequences of secrecy" about giving and money. "From campaigns that never reach their financial goals, to increasingly high debt-to-income ratios that are not sustainable," secrecy has significant costs, she says. In her recent article, "Shhhh. Should the Pastor Know?", she suggests a number of "small steps" that can "make a world of difference" in confronting the challenges in your faith community around money and leadership.

1. **Thank donors personally.** A financial statement is not an expression of gratitude. This small step is a very large step for most. Group all financial givers into broad categories so that notes are personal, relevant and specific.
2. **Facilitate a leadership book study or devotional** on the topic of financial management. Open the conversation on money and giving by exploring philanthropic heroes and then reflect on how we learn to give.
3. **Highlight the testimonies of donors** and those who have been blessed to be able to give. Invite people within your community to share how giving has changed their life.
4. **Analyze the data.** Even before there is an examination of individual giving data, there are trends, demographic information, constituency analysis and giving method markers that can be extremely informative.
5. **Tackle the questions of WHAT and WHY.** Why should the pastor know? What benefits exist when financial transparency is a value? Are there reasons that leadership team members believe that the pastor should not know? What is the basis for these beliefs? Are our personal preferences around giving data impacted by our personal giving history and our personal experiences with money? What has happened to foster or compromise trust and integrity around stewardship issues?

Christopher Girata, rector of St. Michael's and All Angels in Dallas, Texas, is one priest who has always known how much the members in his parishes pledge, and he's been open about having that information. "As Christian leaders, we hope to inspire and guide the formation of each person under our care," he says. "Most clergy would agree that knowing how a parishioner spends their time is important to knowing where their heart is, but I believe knowing where parishioners spend their money is just as important. Jesus preaches about money matters because money matters far more than it should. If we are truly concerned with shepherding those under our care, knowing where they put their treasure is vital. As clergy, we cannot begin to inspire our parishioners toward the way of Christ if part of their life, arguably as important as anything else, is hidden from us. Only when we know where someone's treasure is, can we begin to lead them closer to Christ."

Editor's note: Pledging and transparency is among the topics discussed at Project Resource 2.0 conferences. For more information about the 2018 Project Resource conference (April 10-12 at Camp Allen in Navasota, Texas), visit the Project Resource website. Please contact Erin Weber-Johnson if you have any questions about clergy pledging or Project Resource.

***Susan Erdey** is a non-profit management professional with over 20 years of service to Episcopal Church-related organizations, including dioceses, schools and seminaries, and parishes. Susie has previously served as Program Director for Strategic Resources and Client Services at ECF. She supported the broader responsibilities of this program area, especially in the areas of relationship management, customer service, outreach, and coordination with the other program teams.*

Resources

- Pledging: Should Clergy Know? by Erin Weber-Johnson, Vestry Papers, May 2014
- "Model Intentional Giving" by Laurel Johnston, *Vestry Papers*, September 2010

- "Why Clergy Should Know What People Give" by Charles LaFond, TENS Newsletter

<u>Five Things Every Church Treasurer Should Know</u>

Linda Puckett

Whether your church employs a bookkeeper/accountant or you are a volunteer treasurer who manages the accounting, this article lists five things that I think every treasurer should know. The list is based on my own experience as a parish treasurer as well as my work as a diocesan finance director and presenter at treasurers' workshops throughout the Episcopal Church. The greatest challenge in writing this has been to keep the list to five. I encourage you to add to it, based on your own experience, and to provide the list to your successor when your term as treasurer expires.

1. Establish a balanced budget

Establishing an annual operating budget that reflects your congregation's mission and ministry is an important part of a church's overall financial wellbeing. Develop a timeline and process to create a new budget for all ministry areas each year. Budgets should not automatically carry forward from year-to-year. Involve vestry liaisons, committee/ministry chairs, clergy and staff in the development of a budget based on specific ministry goals. In my experience, a balanced budget is the most effective tool for managing funds. Avoid developing a budget that is unrealistic for your congregation.

A narrative budget, in which each line item includes a description of the way the funds will be used, is a highly effective way to educate parishioners, the vestry, staff and others. Graphs and charts can be incorporated to compare prior year to current year data.

Once the budget is approved, funds should be allocated on a month-to-month basis based on historical data. To enable the church to meet its financial obligations in a timely manner, planning should take into account the periods throughout the year when revenue declines and expenses increase.

As the year progresses, budget revisions may be needed due to unanticipated expenses or changes to revenue and/or programs. Any budget revision should be reviewed by the finance committee and approved by the vestry. All budget revisions should be documented in the minutes of the vestry.

Planning for long-term building or capital needs is also important, and a separate capital budget should be developed for those projects.

2. Maintain good internal controls

Internal controls are the policies and procedures that are established to protect the assets of the church and reduce its risk. They not only protect the church, but can also protect the treasurer from false allegations. Internal controls also ensure that all financial transactions are handled properly, from the Sunday offering to writing checks. A good internal controls checklist can be found in the *Manual of Business Methods*, available online at www.episcopalchurch.org/finance.

3. Understand eligibility and requirements for employee benefits

Treasurers should be aware of any benefits that are available to eligible clergy and lay employees. Some benefits, such as pension and medical insurance, are mandated for eligible clergy and lay employees by the canons of the Episcopal Church and your diocese. It is the treasurer's responsibility to ensure that benefits and employee contributions are paid in a timely manner.

4. Understand the basics of payroll reporting

The most important federal reporting obligation for most churches is the withholding and reporting of employee income taxes and Social Security and Medicare taxes. Because of the liabilities, churches should consider using a professional payroll service, such as *Episcopal Payroll Services* www.cpg.org/eps. Many treasurers and others responsible for withholding taxes and paying them to the government are unaware of the penalties if taxes are not withheld or remitted to the government.

Understanding the basics of clergy taxes will assist in the proper handling of the clergy payroll. Clergy are employees for federal (and where applicable, state) income tax purposes. However, they are self-employed for Social Security and Medicare tax purposes with respect to their church compensation. Clergy are exempt from mandatory income tax withholding, though they may enter into a voluntary withholding agreement with the church.

The treasurer should make certain that a proper housing allowance resolution has been adopted by the vestry before compensation is earned. Reimbursable expense plans should be established for automobile and other business expenses.

In addition to Form W-2 for clergy and lay employees, treasurers should ensure that churches issue a Form 1099-MISC for payments made during the calendar year to any individual or unincorporated entity that was paid $600 or more.

5. Conduct an annual audit

An annual audit is required by the canons of the Episcopal Church for all parishes, missions and other institutions. The annual audit ensures that the financial statements are properly reported. All funds should be included in the annual audit. In the absence of an audit, treasurers, vestries and other persons may be liable for any losses that would have been discovered by an audit. Consult your diocesan office for regulations for approved auditors or an audit by committee.

Finally, I suggest exploring the many online resources for church treasurers and taking advantage of workshops and other opportunities to learn and network with treasurers from other congregations.

***Linda Puckett** is a member of St. Aidan's Episcopal Church in Milton, Georgia, where she serves as treasurer for the parish and preschool. Linda is retired after serving as a Vice President at the Church Pension Group and Director of Finance for the Diocese of Atlanta. She serves on the finance faculty for CREDO conferences and has conducted conferences and seminars in all fifty states on church finance, clergy taxes, employee benefits and planning for retirement.*

Resources

- Lessons from a Rookie Treasurer by Tyler D. Schleicher, Vestry Papers, May 2014
- Basics of Parish Finances an ECF webinar led by Jim Murphy and Jerry Keucher, October 08, 2013
- Episcopal Church Manual of Business Affairs
- Accounting Software: Finding the Right Fit by Phyllis Jones, Vestry Papers, May 2014

The Purpose of Basic Financial Statements

Nancy Fritchner

April is financial literacy month and a good time to talk about basic financial statements. It's easy, when preparing financial statements, to do what has been done in the past. We take out last year's financial statements and drop in this year's numbers. But does that statement tell the reader what he or she needs to know? I suggest that we take some time to think about what could make our financial statements more meaningful to the reader.

My approach in providing basic financial statements has four goals:

Goal 1 - Provide complete and accurate financial information to the reader

It is important that the finances of the parish be transparent. All financial activity should be reflected in the statements and not just the general operating account. To accomplish this, we need an adequate accounting system that is properly maintained. This means that all financial information is entered into the system and there are checks and balances to verify that nothing has been left out.

Goal 2 - Present understandable information to the reader

To do this, we need to identify the reader. Who will be reading the financial statements? Is it the Finance Committee, where members may understand the terminology? Or is it the vestry, where some members may not have an understanding of accounting? It is important that everyone using the statements understands the terms that are used.

One way to help is to include a glossary with financial statements. The glossary might include the following:

- Revenue is the funds that have been collected.

- Pledged income is the money that has been paid towards the pledges that have been received.
- Plate income is the funds collected in the plate that are unrelated to a pledge.
- Disbursements are the expenses of the church. They are presented in categories.
- Variance represents the difference between a budgeted number and the actual amount spent. If the number is in parentheses (1.00), the actual amount is greater than the budgeted amount.

A glossary can help assure that reader understands the terms used in the statements. The list here is not comprehensive, but rather an example of terms you might include.

Goal 3 - Provide information that is useable to the reader

Once we have identified the reader, we need to be sure the financial statements provide all the relevant information to help him or her make informed decisions. For example, the Finance Committee may want to have details of the expenses comprising the Music Ministry but a simple total may be sufficient for the vestry meeting.

Another consideration might be the type of statement presented. Does the vestry want a financial statement that shows this year's numbers, the current budget, and the variance in those numbers? Would they like to have a comparison of this year's numbers to last year's numbers? Determining what would be most helpful to the reader should guide the information provided.

Goal 4 - Make sure that the financial statements are flexible and can be adapted

As programs and circumstances change, it may be necessary to explain items and add narrative to the statements. Has your congregation added a new ministry this year that needs to be reflected in the financial statements? Each category can provide useful information, but relying on previous presentations may not tell the full story. In the past the reader may have only been interested in how much cash is on hand and the expenses that need to be paid in the next month. But now we may need to provide financial statements that show how the actual expenses differ from the budget. Being flexible can help provide useful information to the reader.

There are three basic financial statements that will help to communicate the church's financial status:

- Budget
- Statement of Assets, Liabilities and Fund Balances (Balance Sheet)
- Treasurer's Report

To summarize, the needs of the reader of the financial statements should be identified before we prepare the statements. Our goal is to provide complete and accurate information that is both understandable and useful. And we want that information to provide a clear picture of the financial position of the parish.

Nancy Fritschner answers the clergy tax line for the Church Pension Group. She is a life-long Episcopalian, a CPA and is married to an Episcopal priest. Nancy is a former finance faculty member for CREDO. She currently lives in Louisville, KY, where she is a member of Church of the Advent.

Resources

- Basics of Parish Finances, an ECF webinar led by Jim Murphy and Jerry Keucher, February 5, 2014
- Fearless Finances – Parish Budgets an ECF webinar led by Donald Romanik and Jerry Keucher, October 13, 2016
- Manual of Business Methods in Church Affairs
- Make Your Money Talk. Or at least Your Budget, by Richelle Thompson, ECF Vital Practices blog, November 10, 2015

Church Endowments: Blessing or Curse?

Ken Quigley

The room crackled with tension when I arrived. Members of the vestry sat on one side of the table; members of the Endowment Committee on the other. Silence ruled. At stake was a disagreement about how money from the endowment fund was going to be spent.

Each year the Endowment Committee asked for grant requests. They vetted the applications, made their best choice, and granted the money. The vestry had no input. Now, a new vestry wanted those decisions to be theirs.

In another instance, a church called and asked if I could attend a joint meeting of their vestry, Finance Committee, and Endowment Committee to explain how endowments worked. There was confusion about what constituted their endowment, how it was managed, how it could be spent, whether it was restricted, and who made what decisions.

Much of the work of the Endowment Management Solutions program of the Episcopal Church Foundation (ECF) begins with basic education – on matters of endowment structure, investment decisions, and operational “sticky wickets.”

Here are a few key points for effective endowment management:

- Understand your role as fiduciaries
- Understand the roles of the vestry and the Endowment Committee
- Understand your role as prudent investors

Your role as fiduciaries

Having an endowment means you are managing other people’s money; which means you are fiduciaries.

As fiduciaries, you have a ***legal*** obligation to manage your church’s endowment funds responsibly. The Uniform Prudent Management of Institutional Funds Act (UPMIFA) is a state law passed by every state except Pennsylvania that speaks to “true” or donor-sourced endowments for all non-profits, including churches. UPMIFA provides guidance to endowment committees regarding investing and spending from true endowment funds. Among other provisions, it names your core duties as fiduciaries:

- *Duty of Care/Prudence* — act in good faith; diversify investments; consider general economic conditions; spend prudently
- *Duty to Investigate* — make a reasonable effort to verify facts relevant to fund management and investment; perform due diligence in selecting and monitoring investment managers

- *Duty to Minimize Costs* — incur only reasonable costs
- *Duty of Loyalty* — avoid self-dealing, misuse of funds, or other misconduct
- *Duty of Obedience* — perform duties with loyalty to the church's mission and ministry

Fiduciary responsibility is not just about getting good investment returns. It is also about how you develop and implement your investment policy. It's not just about how many points you score, but how well you play the game.

Further, if you engage professional investment advisors, they too have a fiduciary responsibility. It is important for you to exercise due diligence in the selection process and then formally delegate responsibility for investment management, which the advisor formally accepts.

The roles of the vestry and the Endowment Committee

In the sample endowment policies that ECF provides to congregations, the vestry holds the ultimate responsibility for a church's endowment. It grants authority to an Endowment Committee to manage the endowment and oversee distributions for agreed-upon purposes. It also names the members of the Endowment Committee.

The Endowment Committee makes sure that the money is well invested and that the rules are followed. It does not determine specifically how the funds will be spent. That is a vestry decision.

Effective endowment policies establish important checks and balances between the role of the vestry and the role of the Endowment Committee by naming who may serve on the Endowment Committee. In most cases, members of the vestry cannot be members of the Endowment Committee. The rector, treasurer, and senior warden can be ex-officio members without vote. In this way, those who are responsible for the annual operating budget of the parish are not also making decisions regarding the long-term assets of the church.

Understanding your role as prudent investors

Investment decisions begin with a written Investment Policy Statement (IPS) developed by the Endowment Committee and approved by the vestry. Typically, an IPS includes the following: the goals and objectives of the endowment fund; its time horizon, risk tolerance, and investment strategies; reporting requirements and performance reviews; and the respective roles of the committee, the custodian, and the investment managers.

As noted earlier, the vestry and Endowment Committee are fiduciaries. How they carry out their fiduciary responsibilities is judged by adherence to the IPS, not just investment returns. A good example of failure to follow an IPS can be seen in 2008, when a church invested in an 80/20 (equities to fixed income) portfolio decided it could no longer stomach the downturn in the market. It moved all of its assets to cash in January 2009, locking in its losses and missing out on a 26% increase in market value in 2009.

The goal of an Endowment Committee

Endowments are unique creations. They reflect the generosity of prior generations. They challenge the skill of the current generation to manage those funds responsibly. And they invite the current congregation to develop and sustain a vision for the future.

The Wheaton College Hymn, speaking of the prior generation who built the college, expresses the essence of endowment funds: "They builded better than they knew; they trusted where they could not see." And the next verse … (imagine in the context of a church community):

> "A hundred years pass like a dream.
>
> Yet early founders still are we.
>
> Whose works are greater than they seem.
>
> Because of what we yet shall be
>
> In the bright noon of other days,
>
> Mid other souls and other ways."

Ultimately the goal of an endowment committee is "to maintain the spending power of the endowment in perpetuity." How do you accomplish that? Here are seven simple steps that will help you achieve that goal.

> **Step 1:** Establish an Investment Policy Statement - Includes risk tolerance, asset allocation targets and ranges, duties of committee, manager, custodian, means of measuring performance, and other detail.
>
> **Step 2:** Engage professional management - Some choices are a local bank or investment advisor, a professional management company, a diocese, or ECF.
>
> **Step 3:** Do your due diligence - Look for counsel regarding asset allocation, tactical positioning, diversification of assets, and performance over time as measured against standard indexes, risk controls, rebalancing, reporting, service, and fees.
>
> Once selected, you should receive monthly statements and quarterly performance reports. Make sure the manager is complying with your IPS.
>
> **Step 4:** Invest prudently - Diversify assets. Use professional managers. Avoid unnecessary costs — which means you need to understand the fees you are paying. Consider general economic conditions. Follow your IPS and review it annually.

Step 5: Spend prudently — develop and adhere to a total return spending rule -

Typically "prudent" means 3% to 5% of a rolling three-year average of the fund's value.

Step 6: Link your spending rule to your investment strategy - The higher your annual draw, the more exposure you will need to equity assets. You need to balance risk tolerance with investment strategy while calculating long-term forecasts for return, inflation, and fees.

Step 7: Actively promote opportunities for planned giving on behalf of your church

Invested funds will grow incrementally; legacy gifts will add to your endowment exponentially.

ECF offers, at no cost, a set of sample endowment policies, a basic explanation of what an endowment is and does, and a memo on ways to give to an endowment as Word documents. To receive copies, please contact Ken Quigley ken@episcopalfoundation.org. These can be easily adapted to reflect the details of your congregation's particular endowment.

Kenneth H. Quigley is the Senior Program Director for Endowment Management Solutions at the Episcopal Church Foundation. He joined ECF in July 2005 and is responsible for marketing, customer service and account management for Episcopal entities that collectively invest their endowment and invested funds in the program.

Resources

- Four Steps to Maintain and Increase Your Endowment by Jerry Keucher, Vestry Papers September 2007
- Basics of Endowments, an ECF webinar led by Jim Murphy and Ken Quigley, February 21, 2013
- Are you Overspending Your Endowment?, and ECF webinar led by Ken Quigley, July 20, 2016
- Endowments by Lynn Mander, Vestry Papers, May 2014

Healthy Finances

Wendy Pineda

This article is also available in Spanish here. Este artículo está disponible en español aquí.

In this video (https://bit.ly/2uNBydN), Wendy Pineda, CPA and personal finance workshop leader for ECF's Spanish Financial Literacy Bootcamp, shares her experience as a church treasurer. She discusses personal finances, too, explaining that the three most important things we should know are our monthly income, our monthly expenses, and how much debt we have. When we understand our own finances, we can translate that knowledge to healthy church finances.

Pineda says, "What makes healthy finances is knowing where the money is going, not just having enough money in the bank." Just like at home, it is important to make sure that we know what the church has in its inventory and what services it is paying for. Sometimes, she finds that churches incur unnecessary expenses because they aren't paying attention to that. She suggests that the administrator or a volunteer who works in finance should check on the church's inventory and the vendors it uses once a year.

Permitting anyone to sign a check for the church and not requiring a second signature are financial mistakes that Pineda sees often in churches. It is always best to have a second pair of eyes and important to follow procedure when a second signature is required.

Pineda thinks that the biggest financial mistake individuals make is buying more on credit than they should. It is important to understand that if we are at our credit limit and we can't pay that down, it is probably not a good idea to agree when creditors offer to increase our credit limit.

In conclusion, Pineda says that checking our bank accounts should not be scary. “It’s just a number, and once you see it, you can fix the problem. And if there *is* a problem, there are apps, books and people out there willing to help.”

Watch the whole video here: https://bit.ly/2uNBydN

Wendy Pineda, CPA, has a Master's Degree in Accounting. She is an avid marathon runner and cyclist. Wendy started her church finance experience at Iglesia Episcopal San Mateo in 2003 and remains active in the Episcopal Church as event coordinator, consultant, member of Latino/Hispanic Ministries’ Council of Advice and Kanuga’s Board of Trustees. Since 2012, Wendy provides tax and accounting solutions for small business, non-profits, and individuals as Lead of tax services at DWG CPA PLLC.

Resources

- Money – What’s It to You?, an ECF webinar led by Donald Romanik and Demi Prentiss, April 2017
- The Money Minute series by Sandra Montes, March 2017
- Are we being faithful as fiduciaries? by Anne Ditzler, ECF Vital Practices blog, November, 2011
- Strong Administrator = Strong Church by Kathleen Hall, Vestry Papers, November 2015

Maine Puts its Money Where its Mouth Is

Heidi Shott

Remain true to yourself, but move ever upward toward greater consciousness and greater love! At the summit you will find yourselves united with all those who, from every direction, have made the same ascent. For everything that rises must converge. – Pierre Teilhard de Chardin

In October 2016, when Diocese of Maine convention delegates and clergy unanimously approved a resolution to raise the 2017 minimum hourly rate for lay employees to $12.00 an hour from $9.68, it didn't strike anyone as a bolt from the blue. Rather, it felt like a convergence of circumstances that created the opportunity for Mainer Episcopalians to take the lead in seeking economic justice for lay employees.

State and diocese meet on the road to economic justice

With a low bar for statewide ballot questions, Maine often settles its compelling issues by referenda when it appears that normal legislative processes will prove unsuccessful. Marriage equality, bear baiting, casino gambling, rank-choice voting, recreational marijuana use — you name it and the Maine people have voted on it.

In 2016, a coalition of organizations gained sufficient signatures to place a minimum wage question on the November ballot. The referendum would require the statewide hourly wage to increase from $7.50 to $9.00 in 2017 and to increase a dollar a year to reach $12.00 in 2020. (Other provisions were included for tipped workers.) Thereafter, wages would rise based on the Cost of Living Adjustment (COLA) established by the U.S. Department of Labor.

Early on in the state campaign, known as Question 4: Mainers for Fair Wages, the Maine Episcopal Network for Justice (MENJ) enthusiastically signed on. MENJ was formed in late 2015 as a statewide public policy network focused on teaching people of faith to exercise their voices in the public sphere as well as providing direct advocacy at the Maine Legislature. Just as MENJ was beginning to strategize with faith and community partners on Mainers for Fair Wages, the diocesan Compensation Committee was scheduled to meet to set the Canonically-required minimum clerical and lay compensation rates for 2017 to go before October's Diocesan Convention. Requiring parishes to meet minimum clerical compensation rates has a history in the Diocese of Maine going back more than 50 years. Setting a minimum hourly wage for lay employees — including all but very occasional workers — dates to 2010 when the Compensation Committee proposed a number of resolutions overhauling long-held policies about part-time work, vacation, benefits and other issues affecting clergy.

The annual tradition of establishing minimum compensation for diocesan employees converged with the MENJ's support of the state-wide referendum and one other event — the passage in June 2016 of an Executive Council resolution calling Episcopal dioceses and churches to establish or work toward a "Living Wage" of $15.00 an hour for all workers including church employees.

By mid-summer in 2016, members of MENJ and the Compensation Committee had met with Bishop Stephen T. Lane to talk about how to move forward in living into Executive Council's call to a "Living Wage." Peter Bickford, the Chair of the Compensation Committee, recalled, "When we met with Bishop Lane, we were all in agreement that, if we were going to support the statewide referendum, we needed to put our money where our mouth was with regard to lay employees across the Diocese." He added, "Everything dovetailed when we decided to put an incremental plan in place to raise the minimum by one dollar each year until it hit $15.00 in 2020. Setting it at $15.00 an hour in 2017 would have been too big a jump for our churches." As they had in done with the series of resolutions in 2010, the Compensation Committee and MENJ put out the draft resolution to the members of the Diocese for comment over the summer.

After the lay compensation resolution passed at Diocesan Convention in October, Bishop Lane — both in a press conference and in an op-ed in the Portland Press Herald — shared his support for the diocesan measure and the statewide referendum. "We took our quest for economic justice to the pews and are proud to support a minimum wage for church workers that exceeds the proposed increase in Question 4. Everywhere and every time the minimum wage has been raised, workers have had more money in their pockets and local businesses do better. This is a matter of justice and hope," said Bishop Lane. In November, Question 4 passed with 55.5% of the vote.

Still work to do

Beginning in 2017 the wages of affected diocesan workers were adjusted and very little was heard from any corner of the Diocese until the diocesan convention, where a resolution to raise lay employee compensation another dollar an hour, in keeping with the 2016 resolution, was challenged from the floor. The discussion that followed did not result in an amendment, and the resolution to set lay employee compensation at $13.00 an hour for 2018 passed 175 to 66.

The Compensation Committee now knows they have work to do on the resolution they take to Convention in October 2018 if they are to continue the path approved by convention delegates and clergy in 2016. Bickford is calling on congregations to tell them how the annual increase is affecting them. “We are open to discussions on how to move forward toward a Living Wage and the issues raised at Convention last year,” he said recently. “However, we have a plan and have established a path toward justice for our lay employees. We will stay on it until the people of the Diocese of Maine decide to change it.”

Heidi Shott is Canon for Communication and Advocacy in the Episcopal Diocese of Maine.

Resources

- Church Pension Group Resources for active and retired lay employees
- Maine Episcopal Network for Justice
- Valuing Lay Employees by Pattie Christensen, Vestry Papers, May 2011
- Providing Pensions to Your Lay Employees by Pattie Christensen and Michael Macdonald, Vestry Papers, January 2012